ALASKA STATE LEGISLATURE
HOUSE HEALTH AND SOCIAL SERVICES STANDING COMMITTEE
February 28, 2013
3:03 p.m.

MEMBERS PRESENT

Representative Pete Higgins, Chair
Representative Wes Keller, Vice Chair
Representative Benjamin Nageak
Representative Lora Reinbold
Representative Paul Seaton
Representative Geran Tarr

MEMBERS ABSENT

Representative Lance Pruitt

COMMITTEE CALENDAR

PRESENTATION: ALASKA HEALTH CARE COMMISSION

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

DEBORAH ERICKSON, Executive Director
Alaska Health Care Commission
Anchorage, Alaska
POSITION STATEMENT: Presented a PowerPoint titled "Alaska Health Care Commission."

WARD HURLBURT, M.D., Chair
Alaska Health Care Commission
Chief Medical Officer/Director
Division of Public Health
Office of the Commissioner
Department of Health and Social Services
Anchorage, Alaska
POSITION STATEMENT: Testified and answered questions during the presentation by the Alaska Health Care Commission.

ACTION NARRATIVE

3:03:06 PM

CHAIR PETE HIGGINS called the House Health and Social Services Standing Committee meeting to order at 3:03 p.m. Representatives Higgins, Nageak, Keller, Tarr, and Seaton were present at the call to order. Representative Reinbold arrived as the meeting was in progress.

Presentation: Alaska Health Care Commission

3:04:11 PM

CHAIR HIGGINS announced that the only order of business would be a presentation by the Alaska Health Care Commission.

3:05:01 PM

DEBORAH ERICKSON, Executive Director, Alaska Health Care Commission, stated that the commission had been first established by a governor's administrative order from Governor Palin, and then in statute in 2010. She stated that its purpose was to provide recommendations to the governor and the legislature on issues related to cost, quality, and affordability of health care in Alaska, and to recommend strategies related to improvement of health status, slide 2, "Statutory Authority." She noted that the commission provided an annual report each year, in January. She said that the voting members were appointed by the Governor for three year terms, slide 3, "Membership." She pointed out that there were ex-officio members from the house, the governor's office, and the senate. She talked about slide 4, "Planning Process," which identified the vision for the future of health care in Alaska, and the strategies to move toward the vision.

3:07:33 PM

MS. ERICKSON moved on to slide 5, "Commission's Vision," which read: "By 2025 Alaskans will be the healthiest people in the nation and have access to the highest quality most affordable health care." She affirmed that this was the vision to aspire. She identified life expectancy, percentage of population with access to primary care, and per capita health care spending as the measures for success.

3:08:15 PM

MS. ERICKSON discussed slide 6, "Commission Studies of Alaska's Current Health Care System," which listed the studies to date. She said that concerns for both cost and affordability for care were big challenges to access to health care. She noted that the commission was working to better understand what was driving the increases in health care costs.

3:09:15 PM

MS. ERICKSON shared that the commission had focused on value and improvement to the system by increasing quality in health care services, and improving efficiency and effectiveness of services, slide 7, "Value in Alaska's Health System." She stated that although nationally Alaska had the second highest per capita spending for health insurance, behind Massachusetts, Massachusetts had the highest percentage of population with insurance coverage, whereas Alaska was 39th. Regarding quality, Alaska was 38th nationally, and for health outcomes, the health of the population, Alaska was 34th nationally.

3:11:12 PM

CHAIR HIGGINS asked about the percentage of uninsured.

MS. ERICKSON explained that the census bureau conducted an annual survey that did not consider beneficiaries of the Indian Health Service (IHS) as having insurance coverage. If the IHS beneficiaries were included, then 14 percent of Alaskans did not have coverage; however, if they were not included, then 18 percent of Alaskans were considered not to have coverage.

3:12:03 PM

WARD HURLBURT, M.D., Chair, Alaska Health Care Commission, Chief Medical Officer/Director, Division of Public Health, Office of the Commissioner, Department of Health and Social Services, stated that there would not be a health care commission if not for the high cost issues, and many believed that this was the dominant economic issue for the nation. He directed attention to slide 8, "International Comparison of Spending on Health, 1980-2009," and said that the average per capita spending on health care was over $9,000, and that total expenditures on health care was about 17 percent of the gross domestic product. He pointed out that, although the health care industry had been adding jobs during the recent recession, a Rand Study had

connected this increase for each health care job with a loss of 0.85 jobs in manufacturing.

3:14:12 PM

DR. HURLBURT moved on to slide 9, "International Comparison of Health Status: Life Expectancy at Birth, 2010," which depicted that the U.S. had a lower life expectancy at birth than the international average. He spoke about slide 10, "Comparative Health Outcomes," and noted that infant mortality rates were higher and average life expectancy was lower in the United States than many other industrialized countries. He shared slide 11, "Affordability-U.S. Cost vs. Inflation, Earnings," which showed that overall inflation since 1999 had only been 38 percent, while health insurance premiums had risen 172 percent and workers' contributions to these premiums had risen 180 percent.

3:15:21 PM

DR. HURLBURT read from slide 10, "Affordability- U.S. Families: If health insurance premiums and national wages continue to grow at recent rates and the U.S. health system makes no major structural changes, the average cost of a family health insurance premium will equal 50% of household income by the year 2021 and surpass the average household income by the year 2033. If out of pocket costs are added, the 50% threshold is crossed in 2018 and exceeds household income by 2030."

3:16:15 PM

DR. HURLBURT presented slide 13, "Cost of Health Care in Alaska," which was currently almost $8 billion annually, and was projected to be $14 billion by 2020. Commenting on slide 14, "Affordability - Alaskan Families & Employers," he declared that, since 1982, housing costs had increased 75 percent, the cost of living had increased 195 percent, energy had increased 260 percent, and medical care had increased 419 percent. He observed that large and small Alaska employers were dropping provisions of health insurance, slide 15, "Affordability-Alaskan Employers."

3:17:36 PM

DR. HURLBURT furnished slide 16, "Sample comparisons between States," which compared commercial insurance payments to physician services for a sample of codes in Alaska and similar

northwest states. The costs reflected that Alaska had the highest cost for each of the procedures. He moved on to slide 17, "Sample comparisons between States:" which compared other services, in which Alaska was again the most expensive.

3:19:07 PM

DR. HURLBURT indicated slides 18 and 19, "Sample comparisons within Alaska: by Payer," which listed payments through various payers, indicating that although Medicaid was the lowest payer in most states, Medicare was billed at the lowest rate in Alaska, and Workman's Comp was billed at the highest rate.

3:20:45 PM

MS. ERICKSON offered slide 21, "5% of the U.S. population required 50% of health care spending in 2009," and shared that, nationally, a small proportion of the population used the majority of health care service. She added that 50 percent of the population was responsible for only 3 percent of health care spending. She stated that this had not been specifically investigated for spending in Alaska. She pointed out that the Department of Administration had stated that 70 percent of Alaska Care plan members were responsible for 6 percent of spending, whereas 5 percent of the population was responsible for 59 percent of the total spending. She noted that this information was important when developing policies for keeping people healthy, slide 22, "Focus on Health & Value." She said this would also lead to high quality, effective care for the mild to moderate conditions.

3:22:59 PM

REPRESENTATIVE SEATON asked if the use by 5 percent of the population was for an annual or lifetime basis.

MS. ERICKSON replied that this percentage reflected an analysis for health care spending in a given year.

REPRESENTATIVE SEATON asked to clarify that in any one year, money was spent on those who were sick; however, the statistic lead to the impression that there was one group of people who were very expensive, when in fact, it could be anyone in any given year.

3:24:39 PM

DR. HURLBURT agreed that this was an important observation; however, he offered his belief from dealing with populations, that there was a relatively small segment of the population that had repeated costs. He opined that half of the population could be ignored as they were users of minimal resources, but that a smaller segment of the population did have ongoing medical interventions.

3:25:48 PM

[Chair Higgins passed the gavel to Vice Chair Keller]

3:26:27 PM

REPRESENTATIVE SEATON expressed his desire for the information to be presented with a separation for those who had continual issues from those who simply had an annual, not ongoing, issue.

DR. HURLBURT expressed his agreement.

3:27:12 PM

MS. ERICKSON continued with slide 23, "Sources of $750 Billion Annual Waste in U.S. Health Care System," which identified the opportunities for efficiency. She said that 30 percent of health care spending was waste, about $750 billion annually. She identified these waste areas as unnecessary services, inefficient care delivery, excess administrative cost, and inflated prices.

3:28:32 PM

MS. ERICKSON said that the commission had identified some recommendations, slide 24, "Recommended Strategies," which were listed in eight areas.

REPRESENTATIVE REINBOLD, referring back to slide 23, asked about the cost of waste in Alaska.

MS. ERICKSON said that it was not known if that applied in Alaska, but if applied at the same percentage, it would be about $2.5 billion. She returned attention to slide 24, and said the commission wanted to ensure use of the best available evidence for making clinical decisions, to increase the transparency for price and quality, to review the strategy to pay for outcomes rather than for services, to engage employers to improve employee wellness plans, to enhance quality and efficiency of

care early in the care process, and to increase the dignity and quality of care for terminally ill patients. She stated that a focus on prevention and the cost cutting systems was also important.

3:30:21 PM

REPRESENTATIVE REINBOLD asked what the specific focus on prevention was.

MS. ERICKSON replied that she would address this.

3:31:09 PM

DR. HURLBURT addressed slide 25, "Ensure the best available evidence is used for making decisions" and stated that the cost of health care was about $8 billion in private sector payroll. He reported that the State of Alaska paid about $2.3 billion for Medicaid and state employee health insurance. He declared that about 30 percent of provided health care was not necessary. He offered an anecdote comparing what was medically available now and 40 years ago. He pointed out that new equipment was used routinely, even though often not necessary. He declared the necessity to apply evidence to make medical coverage decisions. He opined that, as the physician was now an educator, primary care physicians needed to discuss the risks and the benefits with the patient, before a collaborative decision was made.

3:37:16 PM

MS. ERICKSON declared that the next core strategy would increase consumer and patient engagement in making their own health care decisions if there was more access to information for price and quality for services, slide 26, "Increase price and quality transparency."

3:38:08 PM

REPRESENTATIVE SEATON asked if it made a difference to supply price information as, given the current health care system in Alaska, there was not a choice.

MS. ERICKSON affirmed that an upfront understanding of the out-of-pocket expenses was necessary. She shared an anecdote for having a procedure without understanding the cost or the necessity prior to the procedure.

3:42:03 PM

REPRESENTATIVE SEATON, remarking that the majority of the population in Alaska had insurance with preferred providers, asked if there is really any choice for the consumer.

DR. HURLBURT, in response, stated that a goal was for more transparency of pricing. He noted that, although health care insurance premiums were going up, the out of pocket costs were increasing even more. He stated that employers were often shifting costs to keep their expenses down.

The committee took an at-ease from 3:44 p.m. to 3:54 p.m.

3:54:29 PM

[Representative Reinbold brought the committee back to order]

REPRESENTATIVE SEATON, commenting on the suggestion that costs could better be controlled if they were provided to the consumers, pointed out that it was more expensive for the consumer to access facilities outside the preferred provider networks.

DR. HURLBURT replied that there could be a variety of prices, even within a network. The insurance company could get a lower rate by contracting with a provider, which reduced the cost. He offered his belief that the quality of the provider could be assured by a large insurance company. He offered an anecdote about the large selection of providers within a group health program, which helped to assure quality while controlling costs.

3:58:34 PM

REPRESENTATIVE SEATON replied that he had no objection to the preferred provider networks, but he questioned how insured consumers could choose by price within this type of network.

DR. HURLBURT pointed out that even prices within a preferred provider network would not be totally uniform. He acknowledged that individuals could go out of the network for service, but would have to pay a larger deductible and co-pay.

4:00:55 PM

MS. ERICKSON moved on to slide 27, "Pay for Value," and spoke about the redesign of payment structures to incentivize quality,

efficiency, and effectiveness. She suggested combining a variety of health plans in order to better leverage purchasing power. She endorsed retention of the fee for service system, and then the addition of payment enhancements to move toward increased quality and efficiency.

MS. ERICKSON indicated slide 28, "Engage employers to improve health plans and employee wellness." She recommended the importance of price and quality transparency. She identified the essential elements of a successful employee health management program: support for healthy life styles, and price sensitivity.

4:06:11 PM

The committee took a brief at-ease.

[Representative Reinbold returned the gavel to Chair Higgins]

4:06:49 PM

MS. ERICKSON continued to discuss the elements of a successful program: proactive primary care, support for payment reform, and price and quality transparency. She declared support for employers in Alaska with price sensitivity, and noted that employee wellness and health plan improvement were important aspects for the health programs. She emphasized the need for primary care to be easily available, in order to improve quality and cost. She continued with slide 29, "Enhance quality and efficiency of care on the front end," and declared the need to recognize the value of primary care. She said that the many countries which had lower health care spending and higher health outcomes had a greater investment in primary health care and more of an emphasis on generalists, as opposed to specialists and specialty care, which drives up the health care cost. She stated that it was necessary to promote the relationship between patients and clinicians. She recommended that it was necessary to support a high quality, comprehensive, coordinated trauma care system.

4:09:52 PM

MS. ERICKSON provided another solution for improvement in health care, slide 30, "Increase dignity and quality of care for seriously and terminally ill patients." She said that patients had a much greater chance of having their decisions honored if they engaged in the early planning for end of life issues. She

indicated there was a need to improve clinician training in palliative care and pain management. She discussed the Comfort One program, which had a mechanism for terminally ill patients to document their end of life wishes for first responders. She spoke about a similar program called POLST (Physician Orders for Life Sustaining Treatment) which was a standardized mechanism for clinicians and patients to share decision making for treatment, and to document those wishes. She recommended that advance directives be made more easily accessible and available to clinicians through an electronic registry. She offered a suggestion for the state to pilot a project for making palliative care more accessible to underserved populations. She mentioned the possibility for a re-design of payment structures.

4:12:16 PM

REPRESENTATIVE SEATON asked if the commission supported the proposed HB 44 regarding the Advance Health Care Directive Registry.

MS. ERICKSON replied that the commission did not take a position on legislation, either federal or state, although they would often study issues and put out recommendations related to them.

REPRESENTATIVE SEATON asked if the commission had identified areas that needed to be improved in proposed HB 44.

4:13:50 PM

CHAIR HIGGINS asked if the commission would respond in writing.

MS. ERICKSON offered to respond.

4:14:06 PM

MS. ERICKSON directed attention to slide 31, "Focus on Prevention" and reported that the recommendations from the commission included population based prevention programs for obesity, to fund and support an increase to immunization rates, to integrate behavioral health and primary care services, and to support screening for a history of adverse childhood events, substance abuse, and depression.

4:15:21 PM

REPRESENTATIVE SEATON asked if there was more data on the history of adverse childhood experiences (ACE), other than general knowledge, which lead to the support for screening.

DR. HURLBURT replied that he was not aware of the ACE studies until recently. He offered his belief that the studies originated in San Diego, although it was more of an issue for behavioral health than for public health.

4:16:54 PM

REPRESENTATIVE SEATON expressed his concern that an assessment for the quality of data was assumed, and not documented.

DR. HURLBURT offered for Melissa Stone, Director of Division of Behavioral Health, to present a written response.

4:18:43 PM

MS. ERICKSON reviewed slide 32, "Build the foundation of a sustainable health care system," declaring that this foundation was necessary for a strong health information infrastructure and a sustainable health workforce. She encouraged the participation in telemedicine to increase access to care, a hospital discharge data base, and an all-payer claims data base. She said that care models, health care delivery systems, and primary care were evolving, so that workforce development had become a high priority.

CHAIR HIGGINS expressed the need for a model to encourage local youth into the health care delivery system.

4:21:43 PM

REPRESENTATIVE SEATON asked to clarify that the community mental health aides could not get paid under Medicaid provisions, and if so, was there any resolution pending.

MS. ERICKSON replied that the commission had not been involved with this. She offered her belief that one of the more advanced levels of behavioral health aides was being reimbursed. She offered to follow up and report back to the committee.

4:22:51 PM

CHAIR HIGGINS said that Medicaid reimbursement was based on training, and that more training was necessary for these aides.

4:23:37 PM

MS. ERICKSON directed attention to slide 33, "Update on Affordable Care Act," and said that, although the commission was not prepared to evaluate the policies of the federal program, it was necessary to understand the implications of its implementation.

4:24:44 PM

MS. ERICKSON concluded with slide 34, "Next Steps," and established that the commission plans for 2013 included the continuance of study for the current health care delivery and finance system. She declared that there would be a focus on health insurance, cost and cost drivers, health care accounting and pricing, hospital readmission rates, and oral health status in Alaska. She stated that the commission would delve deeper on price and transparency through legislation.

MS. ERICKSON, in response to Chair Higgins, said that the commission had not done a detailed analysis of the Affordable Care and Patient Protection Act, as the commission had only been established shortly after the act was passed. She stated that the commission had hired the Institute of Social and Economic Research (ISER) for a high level impact analysis of the act. She noted that Department of Health and Social Services was conducting a more detailed, more current analysis. She affirmed that the commission had done a "high level summary overview of the different provisions in the act," which was included as a narrative description of the major components in its 2010 report.

4:28:44 PM

CHAIR HIGGINS asked if Ms. Erickson would return and present an overview of the Patient Protection and Affordable Care Act.

4:29:11 PM

REPRESENTATIVE SEATON referred to page 8 of the "Core Strategies & Policy Recommendations," [Included in members' packets] and asked about the "Focus on Prevention." Noting that there was one recommendation from 2009, and four recommendations from 2011, he asked if there would be more recommendations going forward.

MS. ERICKSON replied that all of the commission's recommendations were still considered current, although some had been implemented. She explained that this current commission had been established in statute, and had voted to adopt the 2009 recommendations of the previously appointed commission. She pointed out that each of these recommendations could be referenced in the annual report of the same date.

4:31:27 PM

REPRESENTATIVE SEATON asked to clarify that there had not been any Focus on Prevention recommendations in 2012.

MS. ERICKSON replied "that's correct."

4:32:17 PM

ADJOURNMENT

There being no further business before the committee, the House Health and Social Services Standing Committee meeting was adjourned at 4:32 p.m.